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Message Text

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E.O. 11652: N/A
TAGS: BEXP, TW
SUBJECT: MAJOR PROJECTS: STAINLESS STEEL MILL--TANG ENG IRON WORKS, LTD.

REF: (A) 77 STATE 290408, (B) 77 TAIPEI 5596

1. TO ASCERTAIN STATUS OF STAINLESS STEEL MILL PROJECT, COMMATT PAUL AYLWARD AND HIS ASSISTANT, EUGENE HUAN, RECENTLY VISITED TANG ENG'S VP TIMOTHY YU IN KAOHSIUNG. YU RECENTLY MADE SIX-WEEK TRIP TO U.S., U.K. GRF, JAPAN AND KOREA FOR GENERAL SURVEY OF STAINLESS STEEL PLANTS AND FOR DISUCSSIONS WITH PROSPECTIVE BIDDERS TO IDENTIFY THOSE THAT SHOULD BE PREQUALIFIED FOR TENDERING. MAJORITY OF YU'S TIME WAS SPENT IN U.S., WHERE IN-DEPTHY DISCUSSIONS WITH WATERBURY-FARREL, PULLMAN-SWINDELL, E.W. BLISS, WEAN UNITED, WASHINGTON STEEL, T. SENDZIMIR, ARMCO AND TIPPENS. BASED ON VISIT YU'S PERSONAL PREFERENCE IS WATERBURY-FARREL BUT CONFIDED THAT STRONGEST COMPETITION COULD BE EXPECTED FROM WEST GERMANY, WHERE KRUPP AND THYSSEN ARE ABLE TO OFFER COMPETITIVE PRICES AND ATTRAC-TIVE FINANCING PACKAGE. YU STATED THAT HIS MEETING WITH EXIM BANK INDICATED RECENT TREND TOWARD MORE COMPETITIVE INTEREST RATE. BEST INTEREST RATE OFFERED WAS BY UNNAMED BRITISH CONCERN WHICH FOR PRIVATE PORTION OF FINANCING QUOTED ONE-HALF PERCENT ABOVE LIBOR (LONDON INTERBANK
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OFFERED RATE). TANG ENG ALSO WILLING TO ACCEPT OFFER FROM ANY BONA FIDE PRIVATE FNANCING FIRM IN U.S. FOR ATTRACTIVE INTEREST RATE. ACCORDING TO YU, FINANCIAL PACKAGE WILL BE VERY SIGNIFICANT CONSIDERATION IN FUTURE AWARD OF TENDER.

2. RE GROC'S "BUY AMERICAN" POLICY, YU THOUGHT

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THAT THIS WOULD KNOCK JAPANESE OUT OF THE TENDER AT PRE-QUALIFICATION STAGE. HE SAID THAT HE HAS PERSONAL PREFERENCE FOR US BECAUSE HE ONCE WORKED FOR BLAW KNOX. THE TREMENDOUS IMPRESSION THAT HE HAS OF WATERBURY-FARREL STEMS FROM NEW TECHNOLOGY AND INNOVATIONS. HE WAS ALSO SURPRISED TO LEAR THAT SOUTH KOREA'S NEW STAINLESS STEEL MILL HAD JAPANESE EQUIPMENT FOR THE FIRST STAGE AND THEN HAD SWITCHED OVER TO WATERBURY-FARREL FOR THE SECOND STAGE. TO YU THIS WAS THE ULTI-MATE TESTIMONIAL.

3. KEN MAGEE OF UEC (US STEEL CORP. CONSULTING SUBISIDI-ARY) NOW AT CHINA STEEL CORP. IN KAOHSIUNG HAS PROPOSED DOING ABBREVIATED FEASIBILITY STUDY FOR TANG ENG AND HAS JUST CONFIDENTIALLY INFORMED COMMATT THAT US STEEL HAD DECIDED TO GET IN RUNNING FOR TURN-KEY PROJECT, AS WELL.

4. ALTHOUGH TAIWAN PROVINCIAL GOVERNMENT HAS APPROVED THIS PROJECT, IT HAS NOT YET BEEN INCLUDED IN BUDGET, DEADLINE FOR WHICH IS THIS SPRING. PLANS CALL FOR FIRST SETTING UP COLD-ROLLING STAINLESS STEEL PRODUCTION AND LATER ADDING HOT-ROLLING MILL LINE TO BE FED BY OUTPUT FROM CHINA STEEL CORP. THE CAPACITY OF THE PROJECTED MILL IS SET AT 50,000 METRIC TONS PER ANNUM, A QUANTITY SUFFICIENT TO MEET LOCAL DEMAND. EMBASSY WILL KEEP
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DEPARTMENT INFORMED OF DEVELOPMENTS.
UNGER

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